

District Public Defenders Conference

**For the Years Ended
June 30, 2001, and June 30, 2000**

Arthur A. Hayes, Jr., CPA, JD, CFE
Director

Charles K. Bridges, CPA
Assistant Director

Kandi Thomas, CPA
Audit Manager

Rebecca W. Troyani, CFE
In-Charge Auditor

Bridget Carver, CFE
Staff Auditor

Amy Brack
Editor

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 401-7897

Financial/compliance audits of state departments and agencies are available on-line at
www.comptroller.state.tn.us/sa/reports/index.html.
For more information about the Comptroller of the Treasury, please visit our Web site at
www.comptroller.state.tn.us.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

June 6, 2002

The Honorable Don Sundquist, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

The Honorable Frank Drowota, Chief Justice
Tennessee Supreme Court
401 7th Avenue North, Suite 318
Nashville, Tennessee 37219

and

Mr. William Andy Hardin, Executive Director
211 7th Avenue North, Suite 320
Nashville, Tennessee 37219-1821

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the District Public Defenders Conference for the years ended June 30, 2001, and June 30, 2000.

The review of management's controls and compliance with policies, procedures, laws, and regulations resulted in no audit findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/th
02/045



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT**

**SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 401-7897
FAX (615) 532-2765**

April 8, 2002

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the District Public Defenders Conference for the years ended June 30, 2001, and June 30, 2000.

We conducted our audit in accordance with government auditing standards generally accepted in the United States of America. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the District Public Defenders Conference's compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the District Public Defenders Conference is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit resulted in no audit findings.

We have reported other less significant matters involving the conference's internal controls and/or instances of noncompliance to the District Public Defenders Conference's management in a separate letter.

Sincerely,

Arthur A. Hayes, Jr., CPA,
Director

AAH/th

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

District Public Defenders Conference

For the Years Ended June 30, 2001, and June 30, 2000

AUDIT SCOPE

We have audited the District Public Defenders Conference for the period July 1, 1999, through June 30, 2001. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, expenditures, equipment, payroll and personnel, and district offices; and utilization of the Department of Finance and Administration's State of Tennessee Accounting and Reporting System (STARS) grant module to record the receipt and expenditure of federal funds. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America.

AUDIT FINDINGS

The audit report contains no findings.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 401-7897

Financial/compliance audits of state departments and agencies are available on-line at
www.comptroller.state.tn.us/sa/reports/index.html.
For more information about the Comptroller of the Treasury, please visit our Web site at
www.comptroller.state.tn.us.

Audit Report
District Public Defenders Conference
For the Years Ended June 30, 2001, and June 30, 2000

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Post-Audit Authority	1
Background	1
AUDIT SCOPE	1
PRIOR AUDIT FINDINGS	2
OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS	2
Revenue	2
Expenditures	3
Equipment	4
Payroll and Personnel	4
District Offices	5
Department of Finance and Administration Policy 20, “Recording of Federal Grant Expenditures and Revenues”	6
OBSERVATIONS AND COMMENTS	7
Title VI of the Civil Rights Act of 1964	7
APPENDIX	7
Divisions and Allotment Codes	7

District Public Defenders Conference For the Years Ended June 30, 2001, and June 30, 2000

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the District Public Defenders Conference. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The District Public Defenders Conference is a statewide system of elected public defenders. The District Public Defenders and their staff fulfill the state’s obligation under the United States Constitution for providing legal counsel to indigent persons accused of a crime. All 31 judicial districts are served by public defenders. The District Public Defenders Conference serves all but two of these districts, the Twentieth and Thirtieth (Davidson and Shelby Counties). The conference has no administrative or financial control over the Twentieth and Thirtieth districts. However, the conference does distribute state appropriations that prior to July 1, 1991, were distributed by the Supreme Court.

The Office of the Executive Director is the central administrative support for the District Public Defenders Conference.

AUDIT SCOPE

We have audited the District Public Defenders Conference for the period July 1, 1999, through June 30, 2001. Our audit scope included a review of management’s controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, expenditures, equipment, payroll and personnel, and district offices; and utilization of the Department of

Finance and Administration's State of Tennessee Accounting and Reporting System (STARS) grant module to record the receipt and expenditure of federal funds. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America.

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

REVENUE

The objectives of our review of the revenue controls and procedures in the District Public Defenders Conference were to determine whether

- revenue transactions were reasonable and valid,
- revenue collected during the audit period was deposited timely and accounted for in the appropriate fiscal year,
- the petty cash fund was appropriately authorized by the Department of Finance and Administration, and
- auditee records were reconciled with Department of Finance and Administration reports.

We reviewed the applicable laws and regulations, interviewed key personnel, and reviewed supporting documentation to gain an understanding of the conference's procedures and controls over revenue. Testwork on revenue collected during the audit period consisted of transactions nonstatistically selected from all revenue sources except FICA credits. The selected revenue transactions were traced to deposit slips and journal vouchers and were reviewed for adequate support, timeliness of the deposit, and proper coding and recording. We compared the conference's petty cash amount with the Department of Finance and Administration authorized petty cash amount. We discussed reconciliation procedures for revenue records with the auditee, and we reviewed the supporting documentation.

Based on our interviews, reviews of supporting documentation, and testwork, the conference's revenue controls and procedures appeared to be adequate. Revenue transactions were reasonable, valid, deposited timely, and accounted for in the appropriate fiscal year. Petty

cash was appropriately authorized, and the auditee's records were reconciled with Department of Finance and Administration reports.

EXPENDITURES

The objectives of our review of expenditure controls and procedures were to determine whether

- expenditure transactions were reasonable and valid,
- recorded expenditures were for goods or services authorized and received,
- the object code and amount of expenditures for goods or services had been recorded correctly,
- payments had been made in a timely manner,
- auditee records were reconciled with Department of Finance and Administration reports,
- payments for travel had been paid in accordance with the Comprehensive Travel Regulations,
- contracts had been established in accordance with regulations, and
- contract payments were in compliance with contract terms and were properly approved and recorded against the contract.

We reviewed the applicable laws and regulations, interviewed key personnel, and reviewed supporting documentation to gain an understanding of the conference's procedures and controls over expenditures. A sample of expenditures was selected and tested to determine if expenditures had been properly recorded and approved and were for goods or services authorized and received. Expenditures were also tested to determine if the object code and amount had been recorded correctly and payment had been made timely. Travel expenditure transactions were tested for compliance with regulations. Contracts were reviewed to determine if they were established according to regulations, and payments were checked to see if they complied with the terms of the contracts.

Based on our reviews, interviews, and testwork, the conference's procedures and controls over expenditure transactions appeared adequate; the expenditure transactions were reasonable, valid, and recorded correctly and were for goods or services authorized and received; and payments were made timely. The auditee records reconciled with Department of Finance and Administration reports, and travel expenses were in compliance with the Comprehensive Travel Regulations. Contracts were proper and paid within terms of the contract.

EQUIPMENT

The objectives of our review of the equipment controls and procedures in the District Public Defenders Conference were to determine whether

- the equipment on the Property of the State of Tennessee (POST) property listing was on the auditee's equipment listing,
- the information on the POST property listing was properly recorded,
- lost and missing equipment was properly reported to the Comptroller's office and was removed from the equipment listings, and
- equipment was adequately safeguarded.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of the conference's procedures and controls over equipment. The conference's equipment listing and POST's equipment listing were compared to determine if the information recorded on the lists agreed. A review of equipment items nonstatistically selected from the property listing was conducted, and the description and tag number were verified. Also, equipment items nonstatistically selected from the conference's office were traced to the conference's equipment listing to determine if the items were appropriately identified on the list. Lost and missing equipment was tested to determine if the equipment was reported to the Comptroller's office and removed from the equipment listings. We observed and discussed the safeguarding of equipment with the auditee.

Based on the reviews, interviews, and testwork, the conference's procedures and controls over equipment appeared adequate. The conference's equipment listing was complete, information was properly recorded on POST, lost and missing equipment was properly reported to the Comptroller's office and was removed from the equipment listings, and the equipment items were adequately safeguarded.

PAYROLL AND PERSONNEL

The objectives of our review of the payroll and personnel controls and procedures in the District Public Defenders Conference were to determine whether

- payroll (wages, salaries, and benefits) disbursements and deductions were proper and agreed with supporting documentation;
- leave was accrued and taken in accordance with applicable guidelines;
- newly hired employees were qualified for their positions, and their initial wage was correct;
- terminated employees' final pay was accurate; and

- payroll charges to federal grants, if applicable, were adequately supported and properly distributed.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of the conference's procedures and controls over payroll and personnel. We tested a nonstatistical sample of payroll transactions. We traced the payroll transaction to the payroll register, personnel file, and leave and attendance records to determine whether payroll disbursements and deductions were proper and agreed with supporting documentation and leave was accrued and taken in accordance with applicable guidelines. For newly hired employees in the sample, we reviewed each personnel file and initial payroll register to determine if the employees met the job qualifications and their initial wage was correct. For terminated employees in the sample, we reviewed personnel files, leave and attendance records, and the final payroll register to determine if the employees' final pay was accurate. Sample transactions with payroll charges to federal grants were traced to the grant to determine adequate support and proper distribution.

Based on our interviews, reviews, and testwork, the conference's controls over payroll and personnel appeared adequate. Payroll disbursements and deductions were proper and agreed with supporting documentation. Leave was accrued and taken in accordance with applicable guidelines. Newly hired employees were qualified for their positions, and their initial wage was correct. Final pay for terminated employees was accurate. Payroll charges to federal grants were adequately supported and properly distributed.

DISTRICT OFFICES

The objectives of our review of the controls and procedures at the district offices we visited were to determine whether

- controls over leave and attendance were adequate and in accordance with applicable policy,
- employees paid with grant funds actually performed work for the grant program,
- controls were adequate to ensure that assets purchased by the state were adequately safeguarded,
- controls over purchasing at district offices were adequate,
- controls over travel expenses claimed for reimbursement were proper, and
- controls over petty cash were in place.

We interviewed key personnel at each district office visited and reviewed supporting documentation to gain an understanding of the district offices' procedures and controls over leave and attendance, equipment, travel, purchasing, and petty cash.

Leave and attendance policies and procedures for each district office visited were reviewed to determine compliance with conference policies. For employees in each district office visited who were paid with grant funds, we obtained the scope of service for the grant from the conference and interviewed key personnel in the district office to determine if the work for the grant program was actually performed.

We interviewed key personnel to determine how each office safeguarded the state's equipment. A nonstatistical equipment sample was selected from each office's equipment listing, and the description and tag number were verified. Also, a nonstatistical selection of equipment items located in each district office was traced to the corresponding office's equipment listing.

The controls over purchasing at district offices were discussed with management, and files at the districts were reviewed to determine whether the purchasing procedures were followed. A nonstatistical selection of travel claims filed with the state was reviewed for proper authorization, accuracy, and supporting documentation. A petty cash count was completed, and supporting documentation was reviewed.

Based on our interviews, reviews, and testwork, the district offices' procedures and controls over leave and attendance, equipment, travel, purchasing, and petty cash appeared to be adequate. Leave and attendance policies were in accordance with applicable policy, employees paid with grant funds actually performed work for the grant program, state equipment was adequately safeguarded, claims for travel expenses were proper, and there were controls over purchasing. Procedures for petty cash were in place.

DEPARTMENT OF FINANCE AND ADMINISTRATION POLICY 20, "RECORDING OF FEDERAL GRANT EXPENDITURES AND REVENUES"

Department of Finance and Administration Policy 20 requires that state departments whose financial records are maintained on the State of Tennessee Accounting and Reporting System (STARS) fully utilize the STARS grant module to record the receipt and expenditure of all federal funds. Our objectives were to determine whether

- appropriate grant information was entered into the STARS grant Control Table upon notification of the grant award and related revenue and expenditure transactions were coded with the proper grant codes, and
- the conference utilized the appropriate STARS reports as bases for preparing the Schedules of Federal Financial Assistance and reports submitted to the federal government.

We interviewed key personnel to gain an understanding of the conference's procedures and controls concerning Policy 20. We reviewed the grant contract, STARS reports, and supporting documentation to determine the compliance issues. We reviewed all grant transactions to determine if revenue and expenditure transactions were coded properly. We reviewed the

Schedule of Expenditures of Federal Awards and the appropriate STARS reports to determine if the STARS reports were utilized as the basis for preparing the schedule.

Based on our interview and reviews, the conference's procedures and controls concerning Policy 20 appeared adequate. Also, the appropriate grant information was entered into STARS, revenue and expenditure transactions were coded properly, and STARS reports were utilized as the basis for the Schedule of Expenditures of Federal Awards.

OBSERVATIONS AND COMMENTS

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Section 4-21-901, *Tennessee Code Annotated*, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30 each year. The District Public Defenders Conference filed its compliance reports and implementation plans on June 22, 2001, and June 30, 2000.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds. The Human Rights Commission is the coordinating state agency for the monitoring and enforcement of Title VI. A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

APPENDIX

DIVISIONS AND ALLOTMENT CODES

District Public Defenders Conference Divisions and Allotment Codes:

306.01	District Public Defenders
306.03	Executive Director
306.10	Shelby County Public Defender
306.12	Davidson County Public Defender